

Retiree Activities Office

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RAO Newsletter # 2012-5 - March 1, 2012 - Proposed Retire Health Care Fees

Retiree health fees, RX co-pays in bullseye of defense cuts

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Out-of-pocket health care costs for military retirees and for users of the TRICARE retail pharmacy network would jump next October if Congress approves President Obama's fiscal 2013 budget request delivered Monday.

Annual active duty pay raises also would be impacted but not until January 2015 when raise caps would begin and last three years. The 2015 raise would be half of a percentage point, to be followed by a one percent across-the-board raise in 2016 and a 1.5 percent raise in 2017, if Congress accepts the administration's plan to dampen compensation growth.

In defending these changes, Army Gen. Martin Dempsey, chairman of the Joint Chiefs, called current TRICARE fees for retirees, nearly frozen since 1996, "an anachronism" the military no longer can afford.

Rep. Joe Wilson (R-S.C.), chairman of the House subcommittee on military personnel, vowed to oppose every initiative to curb compensation growth or to raise retiree health fees. But criticism of these proposals from colleagues on the armed services committees was muted.

Lawmaker after lawmaker did lament the possibility of base closings and other various planned cuts even as they acknowledged that Panetta and Dempsey had to propose lean

budgets to implement \$487 billion in defense cuts over 10 years ordered by Congress under last year's Budget Control Act.

The TRICARE increases target retirees of every age. Here are details:

TRICARE PRIME - Annual enrollment fees for the managed care program would be raised and fees tiered based on retired pay.

Family coverage for Tier 1 retirees, those with retired pay below \$22,590, would see the enrollment fee of \$520 climb by \$80 a year for the next three years. It would be raised by \$70 more in 2016 and by \$43 in 2017 to reach \$893, a 71 percent hike over five years. Dollar increases for individual coverage would be half that of family coverage. The percentage hike would be identical so the current fee of \$260 would hit \$446.50 in 2017.

Tier 2 fees, for retirees drawing \$22,590 to \$45,178, would climb for family coverage by \$200 a year for a few years and then by \$265 or more to reach \$1523 by 2017, to nearly triple the cost of family coverage.

Tier 3 would apply to retirees with annuities above \$45,178. Their enrollment fee would jump by \$300 a year the first two years, then by a little more and would reach \$2048 by 2017, nearly four times the current fee. Individual coverage in Tiers 2 and 3 also would cost half of family coverage.

TRICARE Prime fee increases after 2016 would be based on medical inflation, projected to be 5 percent annually. That accounts for the odd amount of fee hikes across the three tiers in 2017.

TRICARE STANDARD/EXTRA: A first-ever annual enrollment fee would be set for the military's fee-for-service insurance plan option and its preferred provider network option. It would be \$140 for family coverage in 2013, climbing to \$250 by 2017. The fee for individual coverage would be half that for families. The annual deductible of \$300 (family) and \$150 (individual) also

would increase steadily to reach \$580 (family) and \$290 (individual) by 2017.

These TRICARE changes for retirees under 65 and their families are projected to save \$12.1 billion over the next 10 years, which means beneficiaries will pay that much more out of pocket.

TRICARE FOR LIFE: A first-ever enrollment fee would be imposed on this prized insurance supplement to Medicare. Like the Prime enrollment fee, the TFL fee would be tiered based on retired pay.

Tier 1 (less than \$22,589 in retired pay) would see an annual fee of \$35 next year, rising to \$150 by 2016 when fee would be indexed to medical inflation. The fee for Tier 2 retirees (\$22,590 to \$45,178) would be \$75 next year and climb to \$300 by 2016. It would be adjusted for inflation thereafter. Tier 3 retirees pay \$115 next year and \$450 by 2016.

This proposal would save \$5 billion over 10 years in discretionary spending plus another \$5.9 billion in mandatory spending.

PHARMACY CO-PAYMENTS: To encourage beneficiaries to use the cheapest points of pharmacy service - bases and mail order - and also to choose generic drugs over brand names when filling prescriptions, co-payments for brand name drugs would rise sharply starting next year.

Co-pays for 30-days of brand name drugs in the retail network would climb next October from \$12 to \$26, and increase by \$2 a year thereafter until reaching \$34 in fiscal 2017. Co-pays for brand name at mail order, now \$9 for a 90-day supply, also would climb to \$26 in the fall and rise steadily to \$34 by 2017.

The intent, said Rear Adm. Thomas J. McGinnis, chief of pharmaceutical operations, is to return cost shares for beneficiaries filling brand names prescriptions off base to what they would have paid if co-pays had been adjusted for medical inflation since TRICARE began in 1996.

McGinnis said just a modest adjustment in co-pays last fall, when Congress allowed generics at mail order to be dispensed for free,

and co-pays to rise by a few dollars at retail and mail order, triggered a "significant shift" away from retail and away from brand names.

"We spend 80 percent of our pharmacy dollars on only 29 percent of total prescriptions -- brand name drugs," McGinnis said. "So if we can move more beneficiaries toward generic and home delivery, which alone is a 27 percent savings over retail, that's where the big savings comes in."

Officials also plan to block retail outlets from dispensing "third tier" drugs, those deemed too expensive to be on the military formulary of more than 5000 drugs. There are 179 such drugs now, plus more than 100 types of glucose test stripes, McGinnis said. Retailers no longer could dispense these for TRICARE unless physicians wrote they were medically necessary.

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